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The Ascendancy of Chicago Neoliberalism

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Introduction

The Chicago School of Economics emerged as one of the primary intellectual formations in the US economics orthodoxy in the post-World War II Era.[1] Not only is it America's most influential school of economic thought, but it has also exerted demonstrable influence across the disciplines.

Many non-economists (as well a fair share of economists) mistakenly equate Chicago with neoclassical economics, and they hold certain images about Chicago, which are oversimplified, shortsighted, and ahistorical. The first misperception concerns "economics imperialism": Chicago economists have purposively and successfully claimed portions of the terrain of other disciplines by applying their understanding of economics in those disciplines. Chicago is not, however, coextensive with orthodoxy. Chicago neoliberals are not merely exponents of the logic of economics; they expound neoliberal ideas via economic language. A second misperception is that Milton Friedman is the quintessential icon of Chicago economics, and played the most fundamental role in its ascendancy. This overlooks that Friedman by no means represents the whole of Chicago. Moreover, there were numerous factors beyond the individual scholarly achievements of Chicago's icons that contributed to its ascendancy. The lesser-explored methods of Chicago's ascendance, developed by Chicago's other icons and put into practice through assiduous efforts, compose the substance of this chapter.

The MPS and the birth of Chicago Neoliberalism

One of the most crucial facts to grasp about the Chicago School is that it is not coterminous with those housed within Chicago's Department of Economics.[2] Although there has been an economics department at the University of Chicago since the days of Thorstein Veblen (at that time it was called the "Department of Political Economy"), the "Chicago School of Economics" came into being only after World War II. Hence, it is distinct from the work of an earlier generation of scholars, including Frank Knight, Jacob Viner, and Henry Simons (Van Horn 2011). As noted by George Stigler (1988: 148), there was no "Chicago School" in the current sense of the term prior to the first meeting of the Mont Pèlerin Society (MPS). Following WWII, Stigler, Friedman, Aaron Director, and others worked to construct one.

The fact that MPS and the Chicago school were joined at the hip from birth is attested by the presence of most of the major protagonists at the creation of both: Director, Friedman, and Allen Wallis.[3] When the MPS was legally constituted, it was registered as a non-profit corporation in Illinois, with offices formally listed as the University of Chicago Law School. A

transnational institutional project, the MPS sought to reinvent a liberalism that had some prospect of challenging collectivist doctrines ascendant in the immediate postwar period. It enabled its members—liberals from America, most of whom represented the Chicago School, and Europe—to debate and offer each other mutual support.

To appreciate how the MPS and the Chicago School came to be conjoined at birth, it is necessary to briefly examine the role of F. A. Hayek in founding of both. In April 1945, when on tour in the United States (US) promoting his recently published *The Road to Serfdom*, Hayek met with Harold Luhnow, head of the Volker Fund and anti-New Deal conservative. Luhnow wanted Hayek to write an American version of *The Road to Serfdom* and offered him Volker money to do so. The two men agreed that the Volker Fund would finance an investigation of the legal foundations of capitalism and that a product of this investigation would be an American *Road to Serfdom*. The two also agreed that Hayek could outsource the investigation.

Hayek considered his proposal to be of great importance. Hayek, who positioned himself as an opponent of laissez-faire liberalism in *The Road to Serfdom*, championed the creation of an institutional framework, or what Hayek later called a "competitive order," so that effective competition would flourish. Hayek did not oppose all forms of planning, only those that undermined effective competition. Hayek advocated planning *for* competition—that is, a properly designed competitive order. In general, the competitive order necessitated well-organized institutions, but, in particular, and most importantly according to Hayek, it required a well-crafted legal framework. Hayek suggested that an in-depth study of the competitive order had regrettably never occurred. He suggested that the task for the future would be to succeed where 19th-century liberals failed. As a prerequisite, 20th-century liberals would need to thoroughly investigate and understand the competitive order to thereby reconstitute the liberal doctrine.[4] Thus, when he made his counteroffer to Luhnow, Hayek hoped that the Volker Fund would provide the means to enable the building of a reinvigorated and robust liberalism.

To outsource the investigation, Hayek approached Simons and his colleagues at the University of Chicago. Liking Hayek's proposal, Simons lobbied in support of the investigation—or the "Hayek Project," as Simons and his colleagues referred to it. Since Simons viewed the liberal doctrine as withering and the collectivist doctrine as prevailing and burgeoning, he envisioned the Hayek Project as an endeavor to reinvigorate the liberal doctrine in order to countervail collectivist doctrine. Moreover, Simons endorsed Aaron Director as the leader of the project. Simons feared that without an organized effort to revive liberalism, it would "be lost," and he believed that Director's leadership would help to engender a liberal stronghold at the University of Chicago.

Director responded favorably to the proposed Hayek Project. Director also drafted a proposal for the project, called "the Free Market Study." Director's proposal delineated the benefits and limitations of the free market and enumerated the departures from the free market at the close of World War II—including barriers to entry and government controls. In keeping with Hayek's vision for a 20th-century liberalism, Director also listed numerous policies that needed to be examined to return to a free market economy, including antitrust policy and corporate policy. For example, Director called for considering limitations on corporate size and for federal incorporation to be required, investigations into the successes and failures of antitrust law, and a reconsideration of patent policy.

In sum, as the efforts to organize the study at Chicago got underway, the principals involved in its organization, such as Simons and Aaron Director, considered it Hayek's endeavor and even explicitly referred to it as the "Hayek Project." Furthermore, Hayek believed that the

study would fulfill his own objectives. Indeed, in a letter to a fellow liberal, Walter Eucken, Hayek stated that he considered the project a "positive complement" to his *Road to Serfdom*.

After many trials and tribulations that have been detailed elsewhere (see Van Horn and Mirowski 2009), by May 1946, Hayek successfully arranged for the Free Market Study (FMS) to be housed at the Chicago Law School and for Director to head the project. Once FMS got underway in the fall of 1946, its members—which included Friedman and Edward Levi (Law School)—convened regularly in order to debate how to reconstitute liberalism and create a competitive order. By empirically investigating the facts taken for granted by both liberals and collectivists, they sought to develop a more robust liberal policy to counter collectivism and thereby reorient policy in the US. Indeed, in a *New York Times* interview, Director indicated that one criterion for assessing the success of the FMS was its ability to exert political pressure in order to engender policy change.[5]

After the 1947 MPS meeting, the work of the FMS proceeded apace. The FMS undertook a couple of empirical studies geared toward countervailing collectivism and reinvigorating liberalism. One was Warren Nutter's evaluation of the extent of industrial monopoly in the US. Nutter argued that there had been no significant increase in business monopoly since 1900. Director noted that Nutter's finding challenged the collectivist claim that efficiency of large scale industry would inevitably give rise to more and more business monopoly, thereby resulting in less and less competition and necessitating socialist economic planning. Since collectivists hinged their argument on the premise that industrial monopoly had been significantly increasing and since, as Director pointed out, widespread belief in the inevitability thesis gave rise to collectivist policies, Nutter's investigation dealt a blow to collectivism.

From 1950 to 1952, in their effort to combat collectivism, Director and other members of the FMS sharply departed from the classical liberal concern about the negative implications concentrations of business power.[6] (See Henry Simons' position in the following section for the classical liberal perspective.) For example, in 1951, Director claimed that large corporations no longer should be considered a threat to competition because of their concentrated power, but should be considered another feature of a competitive market since corporations approximated the impersonal ideal of the market. In short, the FMS came to maintain that concentrated markets tended to be efficient.

In sum, because of its determination to reconstitute liberalism in order to attack collectivism and because of its departure from the classical liberal opposition to concentrations of business power, the FMS served as an incubator for a new form of liberalism, "Chicago neoliberalism." Furthermore, because of its shared concern with the MPS—that is what legal foundations were necessary for effective competition, because both sought to countervail collectivism, and because Hayek played a sine-qua-non role in creating both, the FMS and MPS should be viewed as inextricably connected and ineluctably symbiotic.

Imperial Chicago

Some of the most significant activities contributing to Chicago's ascendance were undertaken outside the discipline of economics. The Chicago Law School and the Graduate School of Business became important staging grounds for imperialistic excursions into disciplines adjacent to economics.

The Chicago Law School: the Antitrust Project

On the heels of the FMS, Director organized and led the Volker-funded Antitrust Project and Edward Levi (then Dean of the Chicago Law School) assisted with it.[7] Other members included later luminaries of Chicago law and economics, such as Robert Bork and Ward Bowman.

The Antitrust Project focused on issues of monopoly, select areas of antitrust law, and the history of the Sherman Act.[8] It investigated these topics in the light of the conclusions of FMS. Moreover, in the spirit of the Study's attempt to influence policy, it investigated these topics with a critical eye toward US antitrust law precedent, and many of the conclusions of the Antitrust Project contravened the conclusions of the courts. The Antitrust Project attacked the conventional wisdom of the legal profession in a number of ways—too many to summarize here and hence it is necessary to look at a sample. First, Bork claimed that vertical mergers did not enhance monopoly power. He therefore suggested that vertical mergers should always be legal. Consequently, Bork implied that one aspect of antitrust law precedent, requiring an investigation of the motives of a vertical merger in order to make a determination of its legality, was erroneous. Second, Ward Bowman maintained that the conventional legal wisdom—as represented by the *Report of the Attorney General's National Committee to Study the Antitrust Laws* (1954)—grossly exaggerated the effects of a tying arrangement.[9] The *Report* deemed the purpose of such arrangements to be monopolistic exploitation. In contrast, Bowman suggested that in most cases a tying contact was merely a means of effectively utilizing monopoly power that was already possessed, not a means of extending it.

Significantly, like the FMS, the Antitrust Project should also be viewed as an attempt to oppose collectivism. First, the Antitrust Project continued the mission of the FMS—that is, to create and advocate the competitive order. Second, during the time of the Antitrust Project, Director emphasized the importance of countering collectivism (Director ([1953] 1964). Third, the Chicago neoliberal conclusions of the FMS—particularly those concerning concentrations of business power—influenced the conclusions of the Antitrust Project.[10] For these three reasons, the Antitrust Project represented much more than simply the application of Chicago price theory to areas of antitrust law.

It would be many years before the US Courts and legal community would take the work of Director and the Antitrust Project seriously. With hindsight, Friedman suggested that it was unrealistic to expect immediate change. He saw his work as well as that of his colleagues to be that of: "…[developing] alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable" (1982: xiv). Here, Friedman echoed Hayek's 1947 Mont Pèlerin address. Hayek had stated:

> Public opinion…is the work of men like ourselves, the economists and political philosophers of the past few generations, who have created the political climate in which the politicians of our time must move. …It is from [a] long-run point of view that we must look at our task. It is the beliefs which must spread, if a free society is to be preserved, or restored, not what is practicable at the moment, which must be our concern (1948: 108).

In a way, therefore, the Study, the Antitrust Project, and later the Law and Economics Program acted as incubators for Chicago neoliberalism and thereby kept its core insights "alive and available" for later use.

The impact of this later use should not be underestimated. About thirty years after the emergence of Chicago neoliberalism, the Reagan Administration's appointees to the Antitrust Division of the Department of Justice echoed the arguments in Bowman's *Patent and Antitrust Law*,

including his analysis of patent tie-ins.[11] The Antitrust Division staked out a broad area in which it would not challenge patent licensing agreements, including patent tie-ins. Thus, firms, without fear of prosecution, used patent tie-ins. More recently, in 2007, the U.S. Department of Justice and the Federal Trade Commission (the two federal agencies that enforce antitrust laws in the US) as well as the Antitrust Modernization Commission endorsed a fundamental idea of the Antitrust Project: The federal agencies and the Commission espoused a rule of reason approach in those cases in which patent rights conflicted with the objectives of antitrust law. Thus, all three opposed the per se illegality of patent tie-ins, and all three suggested that the claim that patents created and extended business monopoly should be viewed with skepticism.

The Graduate School of Business: The Governmental Control Project

George Stigler's arrival at Chicago in 1958 completed the formation of the Chicago School.[12] Upon his arrival at Chicago in 1958, Stigler was already viewed as a leading member of the Chicago School. He had been associated with the School through his friendships with Friedman, and Director, and Chicago economists were quite familiar with his existing body of his work. Importantly, Stigler's stature at Chicago was bolstered by the Walgreen Foundation, which had been established by a grant from the drugstore magnate Charles Walgreen and was placed under Stigler's control by Allen Wallis (now dean of Chicago's Graduate School of Business), with the consent of Charles Walgreen, Jr. and his advisor (and founding MPS member) Leonard Read.

Shortly after his arrival at Chicago, Stigler announced his intention to devote the Walgreen resources to a study of the "causes and effects of governmental control over economic life." [13] He hired a full-time research assistant (Claire Friedland), established the famous Industrial Organization Workshop, and funded research he deemed relevant to the study of governmental control. Stigler himself contributed studies of the regulation of electricity and securities and of the enforcement of antitrust laws (Stigler and Friedland 1962; Stigler 1964, 1966), and financed through Walgreen several others. Stigler motivated the "governmental control" project by appealing the need to counteract collectivism: "If it can be shown that in important areas of economic life substantial and unnecessary invasions of personal freedom are already operative, the case for caution and restraint in invoking new political controls will acquire content and conviction" (Stigler 1975a:18).

Stigler used his Walgreen funds to recruit to Chicago a handful of leading economists (Gary Becker from Columbia University, Sam Peltzman from UCLA, Robert Lucas from Carnegie) and to finance short stays for other economists sympathetic to his efforts. Stigler's efforts set the tone at Chicago, not only through his published work, but also through his ability to shape the composition of the faculty and to finance their work on governmental control. The effort would later expand as a result of the establishment the Center for the Study of the Economy and the State (CSES), which Stigler founded in 1977 with an initial roster that included Becker, Richard Posner, Peltzman, Peter Linneman, and George Borjas (Stigler assumed the directorship).

The research produced by Stigler's governmental control project deviated from that of the previous generation of Chicago scholars. As Stigler noted elsewhere (1983: 529), providing economic explanations of politics marked a profound break with the approach of his teacher Frank Knight, who was deeply skeptical of discovering the principles governing political life. Not only did Stigler call for the exploration of a new subject matter, he also called for new methods to do so: "it is reasonably certain that new theories and new methods will be required to unravel

some of the major problems we have encountered [in understanding public regulation]" (1988: xvii). And whereas Jacob Viner refused to participate in political discussions, Stigler's research was produced to counter collectivism.

According to Stigler, the problem with existing studies of the government was that they presented an unrealistic view of the capacities of democracy, and thereby provided poor guides for legislative and administrative decision-making. He viewed these studies as uncritically adhering to the belief that regulation was sought for the public interest, whereas Stigler was intent on persuading that such problems were *endemic* to regulation. Stigler believed that political scientists, along with economists, were the main culprits. Hence, Stigler's project carried a rationale for imperialism similar to that of Director's project: the theories of political scientists and economists needed to be countervailed with a reconstituted liberalism, and that one needed to advance on other disciplines to do so.

Stigler called for two types of studies. The first would study the effects of past economic policies, to develop techniques for auditing and guiding, and thereby controlling, administrative bodies. The second would study and test hypotheses on the nature of the political process, for the purpose of counteracting the attitudes of political scientists and economists within those academic disciplines. Although only the second type of studies corresponds to the sort one often has in mind when thinking of economics imperialism—the development and application of an economic logic to address phenomena outside the traditional domain of economics—the first sought to displace the standing of other scientific fields in guiding regulation, a less-noticed form of economics imperialism.

To understand how this form of imperialism worked, it is helpful to peruse an influential example, Sam Peltzman's (1973) critical examination of the US Food and Drug Administration (FDA). Peltzman's primary complaint about the FDA was that while it was supposed to have reduced the costs of producing information about drugs (by substituting FDA sanctioned information for drug company advertisements and doctors' experience with medicines), it had actually decreased the value of information available to consumers: FDA restrictions on pharmaceutical companies' claims would decrease the amount of information on non-sanctioned uses of drugs, while any reduction in marketing for a drug of a particular brand would reduce information about the drug type in general. Peltzman then connected the decrease in information to social welfare by attributing a decline in the demand for new drugs to the decrease in information, and therefore a decrease in the consumer surplus associated with consuming drugs. In this study the intended target was *clinical science*. Peltzman never actually engaged clinical science (a fact that was not lost on those clinical scientists who read Peltzman's piece); instead, Peltzman attempted to undermine the entire enterprise of using clinical science to guide regulation, and thereby to displace one set of goals (efficacy) with another set (consumer surplus, or in other cases, "innovation") (Nik-Khah 2014). The study was immensely influential: the enabling legislation of the FDA would eventually be amended, to instruct it to reduce the burden of regulation and speed drug approval.

The Three Pillars of the Chicago School

By the close of the 1950s, the iconic personages of Chicago neoliberalism—Aaron Director, Milton Friedman, and George Stigler were in place at Chicago. They agreed that it was of the utmost importance to promote freedom, but they touted a specific expression of freedom that actually entailed curbing the economic and political influence of democratic discussion.[14]

Milton Friedman

Friedman's conception of freedom and democracy can be appreciated by briefly contrasting Henry Simons' *Economic Policy for a Free Society* (1948) and Friedman's *Capitalism and Freedom* (1962). Simons extensively and explicitly discussed the importance of democracy and freedom, and he basically used these two terms interchangeably. He called monopoly in all its forms "the great enemy of democracy." In his book, he provided policy recommendations, such as limiting corporate size and federal incorporation to ensure effective competition and thereby stave off the threat of concentrations of business power to freedom and democracy. Simons indicated that a democracy depended upon extensive discussion:

> The democratic process rests proximately upon representative, deliberative assemblies. It contemplates agitation, discussion of problems, proposals for dealing with them, examination of such proposals, continuous compromise and revision of bills, and eventual enactments of legislation. At best, such final enactments will mainly not involve close votes or sharp dissent; discussion and compromise should usually eventuate in substantial legislative consensus. …With good government, the discussion of problems is more important than the action to which it immediately leads. It tends to define areas of large agreement (if only by neglecting or ignoring) as well as of small disagreement and thus to enlarge or deepen that consensus which is the moral basis of order" (1948: 8-9).

Hence, Simons suggested the importance of an educated citizenry by advocating for discussion as the linchpin of democracy and freedom.

Friedman, however, ignored democracy in his analysis. Perhaps this is why he used the term "freedom" and not "democracy" in his title for *Capitalism and Freedom*. Indeed, to the best of our knowledge, he used the term "democracy" nowhere in his book. Friedman later shed light on why he emphasized freedom and not democracy. He stated:

> Let's be clear, I don't believe in democracy in one sense. You don't believe in democracy. Nobody believes in democracy. You will find it hard to find anybody who will say that if…democracy is interpreted as majority rule. You will find it hard to find anybody who will say that [if] 55% of the people believe the other 45% of the people should be shot. That's an appropriate exercise of democracy. What I believe in is not a democracy but in individual freedom in a society in which individuals cooperate with one another. And in which there is an absence of coercion and violence. Now it turns out that democracy in the sense of majority voting is an effective means for achieving agreement on some things. On things which are not very important. [15]

Because Friedman's conception of freedom did not hinge on discussion, he, unlike Simons, did not imply an intelligent citizenry is needed.

But if Friedman held a dim view of public discussion, then why did he expend such considerable effort at popularizing his views—namely through his bestselling books, his television series, or his *Newsweek* column? Basically, it provided a means to construct the conditions needed for the success of Chicago neoliberalism. According to Friedman, the dependence of scholars on government (e.g., the National Science Foundation, state legislatures for those housed at state universities) produced a "chilling effect" on academic speech directed at the activities of the government (Friedman and Friedman 1980: 68-69; Friedman 1981). Friedman sought to overcome this distortion by linking neoclassical economics to neoliberal ideas, and thereby alert

people to the costs of government intervention.[16] In doing so, Friedman ultimately sought to encourage the public to accept neoliberal ideas, not empower its members to participate in robust public discourse (although at times it did appear that way) and thereby contribute to the policy making process. In short, Friedman wanted to limit public discussion—at least as Simons defined it.

Aaron Director

Like Friedman, Director viewed democracy as a necessary evil.[17] The clearest expression of this view is found in his address entitled "The Parity of the Economic Market Place" (Director, [1953] 1964). If political discussion and decision increasingly governed the functioning of the economy, then, according to Director, individual choice would be dramatically curbed. For him, freedom meant "freedom to choose one's ends as well as means for attaining them," and a crucial component of that choice meant individuals being able to engage in choice in the market (8-9). Director maintained that because most people devoted a substantial amount of their time to economic activity, they greatly valued freedom of choice in employment, investment, and consumption.

One of Director's central concerns was ensuring that minority voices were not stifled by the majority. Director placed his faith in what he held to be the proper division of labor between the political and economic realms. Hence Director's remark that "the proponents of the priority of the market place for ideas … must of necessity rely on exhortation and on the fragile support of self-denying ordinances in constitutions" ([1953] 1964: 9). If the state became the principal employer, "we may expect great hesitation in advocating unpopular opinions, and serious obstacles put before those who overcome these hesitations," according to Director. In other words, only when the division of labor between political and economic institutions had been properly preserved could those on the margins of society freely voice their opinions without fear of retaliation by society.

For Director, the market system should be utilized to address economic and social problems, such as inequality or the organization of education, *unless* it could be clearly shown that the market system did an inadequate job addressing these problems. He called this the "presumption-of-error doctrine" ([1953] 1964: 3). However, he thought a deficiency in the free market system was rare.

Director suggested that the majority rule of democracy was a necessary evil that needed to be minimized, especially when it came to economic and social policy making. He expressed deep skepticism of economic policies based on consensus, where the voices of all perspectives had been taken into account, unless the "presumption of error test" had been met. Director suggested that he did not trust the government or the populace to make collective decisions on policy matters. Hence, Director suggested that the legal framework necessary for effective competition, such as antitrust policy, should not be based on a mature consensus through democratic discussion, but rather on economic analysis, particularly of the Chicago neoliberal hue.

George Stigler

Stigler shared Friedman's and Director's skepticism toward democratic discussion. And, as with Director, Stigler appealed to the operation of the marketplace of ideas to encourage intellectuals to reconsider their support for democratic discussion. But Stigler also devoted considerable attention to principles underlying its operation, leading him to become the

standard-bearer for the positions that (a) the same forces operate in trade, politics and intellectual life alike, and (b) the extent of market failure in any one of these domains is much exaggerated. [18]

Stigler held that voters collect the individually rational amount of information. But democracy would neither make the best use of social science, nor was it generally a good way to organize intellectual life:

> Affairs of science, and intellectual life generally, are not to be conducted on democratic procedures. One cannot establish a mathematical theorem by a vote, even a vote of mathematicians. [Therefore] an elite must emerge and instill higher standards than the public or the profession instinctively desire.
>
> The best econ[omics] in the US is not the one the public would elect: a science must impose the standards of an elite upon a profession.[19]

Stigler argued that democratic results such as the public's willingness to countenance an expansion of government regulation were due to its instinctual revulsion towards markets.[20]

Such considerations led Stigler to take exception with an image of the marketplace of ideas he believed to be implicit in *Capitalism and Freedom*.[21] If Friedman's popularizations of Chicago neoclassical economics were effective, this would imply that the public "underinvests" in knowledge, a market failure. But if agents maximized in collecting information, they will already have gathered all the information that was appropriate for them to have. Friedman's efforts at popularization would be of no use to them. For Stigler, economists were truly influential only when they worked on technical matters for an audience of technical economists and not when they spoke directly to society. Society needed Friedman's *A Monetary History of the United States*, not his *Capitalism and Freedom*.

Rather than call for the public to rethink its views and support measures to eliminate regulation, as did Friedman, Stigler sought to immunize government policy from the public, for example by developing for regulators a set of "intelligent guides," and subjecting regulators to performance audits conducted by scientific bodies purged of their public interest attitudes (see Stigler 1975a). Therefore, Stigler's program to study the "capacities" of democracy was informed by a profoundly negative view of the instincts of the vast majority of people. For example, Peltzman's performance audits (discussed in the previous section) were devised for the express purpose of preventing the calls of public interest and consumer welfare groups for tightening the FDA's drug approval process from having any effect.

Concluding Observations

One question suggested by considering the methods of Chicago's ascendance is: what accounts for their success? Although we cannot cover all the conditions, we focus on two suggested by the preceding analysis.

First, Chicago's simultaneous espousal of distinct and to some extent contradictory positions, far from a weakness, proved to be a source of strength. Director's program addressed itself to judges and lawyers, and ultimately to the construction of the legal foundations of the "competitive order"; Stigler's program addressed economists and political scientists, and ultimately produced guidance for regulatory bodies and for the social organization of knowledge. In popularizing elements of these programs, Friedman helped gain popular acceptance for measures to limit the reach of democratic discussion. Having one message for the masses, and another for the elite contributed to the advancement of (Chicago) neoliberal ideals.

Second, Chicago participated in a larger epistemic community that not only spanned national and disciplinary boundaries, but also included non-academics, often located at think tanks (Plehwe and Walpen 2006; Weller and Singleton 2006). Think tanks operate between politics, academia, and the media. Their location within this "hybrid and interstitial position" gives them their capacity for effective public intervention (Eyal and Buchholz 2010; Medvetz 2010).[22] For example, Chicago neoliberals staffed think tanks such as the American Enterprise Institute, and they also founded think tank-type institutions on Chicago's campus, such as the Stigler Center for the Study of the Economy and the State and the Becker-Friedman Institute.[23] When compared with rival economics programs, the features of Chicago's epistemic community—originally coordinated by the MPS and eventually with multifarious institutions participating—offered its scholars more opportunity to leverage ideas for world-changing action.

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Notes

[1] The others are the MIT School of Paul Samuelson and Robert Solow, and the Cowles Commission School of Kenneth Arrow and Leonid Hurwicz. See Mirowski (2002).
[2] This section draws extensively from Van Horn (2013) and Van Horn and Klaes (2011).
[3] George Stigler, who would only later accept a position at Chicago in 1958, was also present. Wallis was not a founding member, but joined immediately thereafter and served as its treasurer during its initial phase (Hartwell 1995: 45).
[4] For a detailed look at Hayek's understanding of the competitive order and its significance at this juncture, see Van Horn (2013). Simons considered Hayek his intellectual comrade in arms, and Hayek considered Simons a "great friend."
[5] 'Chicago University to Scan Free Market', 1946, The New York Times, November 2, p. 31.
[6] For a detailed look at this position shift, see Van Horn (2011) and Van Horn and Klaes (2011).
[7] This section depends heavily on Nik-Khah and Van Horn (2012).
[8] For a list of the articles and books that the Antitrust Project published and that it caused to be published, see Van Horn (2009)
[9] A tying arrangement is one form of vertical integration. Tying takes place when a seller stipulates that a buyer must purchase the "tied" product in order to obtain the "tying" product, the one the buyer wants. A tying arrangement is almost always imposed by the seller on the buyer. For example, if retailer, a small business owner, runs a fishing boat business and if a manufacturer that commands monopoly in the fishing boat motor market demands that the retailer must purchase the manufacturer's motor oil in order to purchase its motors, then the manufacturer has tied its fishing motors (tying product) to its oil (tied product).
[10] For example, Bork maintained that "[vertical mergers added] nothing to monopoly power" (1954: 195), and his claim assumed that increased concentration resulting from a vertical merger was necessarily benign.
[11] This paragraph draws from Scherer (2008: 37-39).
[12] The following discussion of Stigler's project is taken from Nik-Khah and Van Horn (2012).
[13] Letter of Stigler to Walgreen, December 28, 1959 (GSRL Box 13, File: Walgreen Correspondence)
[14] Given space constraints, it is not possible to thoroughly explore the views of each.
[15] Milton Friedman, in an interview transcript posted at http://hellocoolworld.ca/media/TheCorporation/Democracy.pdf (accessed March 4, 2015).
[16] What would enable Friedman to escape the chill of government finance was not merely courage, but the identification and courting of new sources of funding: pro-market advocacy foundations and corporations.
[17] This paragraph draws extensively from Van Horn and Emmett (2014).

[18] The remainder of this section draws from Nik-Khah (2011a).
[19] GSRL Box 26, File Mont Pèlerin Society 10th Anniversary Meeting.
[20] See also Stigler (1963: 95): "I cannot believe that any amount of economic training would wholly eliminate the instinctive dislike for a system of organizing economic life through the search of profits."
[21] "As I mentally review Milton's work, I recall no important occasion on which he has told businessmen how to behave… Yet Milton has shown no comparable reticence in advising Congress and public on [a variety of policies] … Why should businessmen—and customers and lenders and other economic agents—know and foster their own interests, but voters and political coalitions be so much in need of his and our lucid and enlightened instruction?" (1975b: 312)
[22] Think tanks such as the American Enterprise Institute also housed what Michel Foucault (2008: 246-7) called "permanent criticism" of the state. Think tanks would audit regulatory bodies according to market principles; Chicago articulated the principles.
[23] On the neoliberal orientation of these institutes, see Nik-Khah (2011a, 2011b).

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